

APEX RESOURCES INC.
(an exploration stage company)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Apex Resources Inc.

Opinion

We have audited the financial statements of Apex Resources Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2022 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended December 31, 2022. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Exploration and Evaluation Assets

As disclosed in Note 4 of the financial statements, the carrying value of Exploration and Evaluation Assets represents a significant asset of the Company. Refer to Note 2 and Note 3 of the financial statements for a description of the accounting policy and significant judgments applied to Exploration and Evaluation Assets.

At each reporting period end, management applies judgment in assessing whether there are any indicators of impairment relating to mining claims and deferred exploration costs. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (iv) sufficient data exists to indicate that the carrying amount of the mining claims and deferred exploration costs is unlikely to be recovered in full from successful development or by sale.

Why the matter was determined to be a key audit matter

We considered this a key audit matter due to (i) the significance of the mining claims and deferred exploration costs balance and (ii) the judgments made by management in its assessment of indicators of impairment related to mining claims and deferred exploration costs, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

How the matter was addressed in our audit

We have evaluated management's assessment of impairment indicators per IFRS 6 Exploration for and Evaluation of Mineral Resources, including but not limited to:

- Reviewing the Company's rights to explore in the relevant exploration areas and assessing whether the rights to tenure remained current at the year-end date;
- Assessing compliance with option agreement by reviewing agreement and vouching cash payment;
- Enquiring with management and reviewing its future plans for further exploration and evaluation activities in the area of interest;
- Assessing whether any data exists to suggest that the carrying value of the Exploration and Evaluation assets is unlikely to be recovered through development or sale; and
- Assessing the adequacy of the related disclosures in Note 2, Note 3 and Note 4 to the financial statements.

Other matter

The financial statements of Apex Resources Inc. for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2022.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have

performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Hilda Leung.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
May 1, 2023**

APEX RESOURCES INC.

(an exploration stage company)
Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash		\$ 189,952	\$ 22,372
Receivables		28,829	14,092
Prepaid expenses		2,036	17,871
Short-term investments	5	77,167	190,500
		297,984	244,835
Non-current assets			
Exploration and evaluation assets	4	2,830,562	2,778,125
Credit card deposit	6	17,250	17,250
Advance		2,000	2,000
Reclamation deposits		33,620	33,620
		\$ 3,181,416	\$ 3,075,830
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 82,259	\$ 61,631
Related party payable and accrued liabilities	8	288,500	288,500
		370,759	350,131
Equity			
Share capital	7	23,667,626	23,362,487
Warrants reserve	7	989,135	744,149
Share-based payments reserve	7	3,776,124	3,626,030
Deficit		(25,622,228)	(25,006,967)
		2,810,657	2,725,699
		\$ 3,181,416	\$ 3,075,830

Approved and authorized for issue by the Board of Directors on May 1, 2023.

(Signed) "Jay Roberge"

Director

(Signed) "Adam Pankratz"

Director

See the accompanying notes to these financial statements.

APEX RESOURCES INC.

(an exploration stage company)

Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

		Year ended December 31,	
	Note	2022	2021
Expenses:			
Directors' fees	8	\$ 45,000	\$ 18,000
Insurance		3,495	4,330
Interest and other		274	1,230
Legal, accounting and audit		29,640	42,296
Office and administration		15,599	19,408
Salaries and management fees	8	257,700	299,806
Share-based compensation	7(c)	150,094	-
Shareholder communications		206	20,103
Technical reports		-	36,088
Loss before other items		(502,008)	(441,261)
Other items:			
Interest income		80	220
Gain on disposition of Kena property	4(a)	-	761,509
Write-down of Mount Anderson property	4(c)	-	(428,305)
Unrealized loss on short-term investments	5	(113,333)	(307,000)
Net loss and comprehensive loss for the year		\$ (615,261)	\$ (414,837)
Weighted average number of common shares			
outstanding - basic and diluted		33,624,911	24,562,445
Loss per share, basic and diluted		\$ (0.02)	\$ (0.02)

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

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Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

Common shares without par value						
Note	Number of shares	Share capital	Warrants reserve	Share-based payments reserve	Deficit	Total shareholders' equity
Balance, December 31, 2020	24,562,445	\$ 23,362,487	\$ 744,149	\$ 3,626,030	\$ (24,592,130)	\$ 3,140,536
Net loss for the year	-	-	-	-	(414,837)	(414,837)
Balance, December 31, 2021	24,562,445	23,362,487	744,149	3,626,030	(25,006,967)	2,725,699
Shares and warrants issued pursuant to private placements	7(b)	11,100,000	310,349	244,651	-	555,000
Share and warrant issue costs	7(b)	-	(2,727)	(2,148)	-	(4,875)
Finders' warrants	7(b)	-	(2,483)	2,483	-	-
Options granted in April 2022	7(c)	-	-	150,094	-	150,094
Net loss for the year	-	-	-	-	(615,261)	(615,261)
Balance, December 31, 2022	35,662,445	\$ 23,667,626	\$ 989,135	\$ 3,776,124	\$ (25,622,228)	\$ 2,810,657

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

(an exploration stage company)

Statements of Cash Flows

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Operating activities			
Net loss for the year		\$ (615,261)	\$ (414,837)
Items not involving cash:			
Gain on disposition of Kena property	4(a)	-	(761,509)
Unrealized loss on short-term investments	5	113,333	307,000
Share-based compensation		150,094	-
Write-down of Mount Anderson property	4(c)	-	428,305
Changes in non-cash operating working capital			
Receivables		(14,737)	2,153
Prepaid expenses		15,835	(13,125)
Accounts payable and accrued liabilities		(9,926)	2,577
		(360,662)	(449,436)
Investing activities:			
Mineral property exploration and evaluation costs	4	(21,883)	(191,627)
Short-term investments redeemed		-	30,000
Proceeds from disposition of Kena Property		-	300,000
		(21,883)	138,373
Financing activities:			
Related party payable and accrued liabilities		-	183,584
Proceeds from private placement	7(b)	555,000	-
Share and warrant issue costs	7(b)	(4,875)	-
		550,125	183,584
Change in cash during the year		167,580	(127,479)
Cash, beginning of year		22,372	149,851
Cash, end of year		\$ 189,952	\$ 22,372

See the accompanying notes to the financial statements.

Supplemental information

Interest received	\$	80	\$	220
Interest paid		-		-

Non-cash transactions

Shares received from disposition of Kena Property	4(a)	\$	-	\$	472,500
Finders' warrants issued pursuant to private placement	7(b)	\$	2,483	\$	-
Acquisition costs accrued in accounts payable		\$	30,554	\$	-

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Apex Resources Inc. (the "Company" or "Apex"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trading under the symbol APX. The address of the Company's registered corporate office and its principal place of business is 625 Howe Street, Suite 615, Vancouver, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The amounts shown as exploration and evaluation assets represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issuance by the Board of Directors on May 1, 2023.

b) Going concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for the next fiscal year. The Company incurred a net loss of \$615,261 for the year ended December 31, 2022 and had an accumulated deficit of \$25,662,228 as at December 31, 2022. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

c) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

d) Significant accounting estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company does not have any significant accounting estimates.

ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

The going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Exploration and evaluation interests

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property interests. In respect of costs incurred for its mineral property interests, management has determined that acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities, existing permits, and ability to continue development. Management determined that there are no indicators of impairment on its exploration and evaluation interests.

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Short-term investments

Short-term investments are classified as fair value through profit or loss and recorded at fair value with realized and unrealized gains and losses recognized in profit or loss. All guaranteed investment certificates ("GICs") have original maturity dates ranging from 91 days to 1 year from acquisition.

b) Evaluation expenditures assets

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

Option payments received are treated as a reduction of the carrying value of the related mineral property until the Company's option and/or royalty payments received are in excess of costs incurred and then are recognized in income.

All expenditures related to the cost of exploration and evaluation of mineral properties including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned or determined to be impaired.

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry norms, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits.

c) Impairment of non-financial assets

Exploration and evaluation assets are regularly tested for recoverability or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment of exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, or indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

d) Government assistance and tax credits

Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits relate. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial reporting date, the Company evaluates whether it has incurred any decommissioning costs related to the exploration and evaluation of its mineral properties. As at December 31, 2022 and 2021, a provision of \$25,000 was recorded in accounts payable for such site reclamation or abandonment.

g) Share capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods or services received is determinable. Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated using the relative fair value method with the fair value of the warrants determined using the Black-Scholes option pricing model.

h) Earnings (loss) per common share

Basic earnings (loss) per common share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity.

In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

i) Share-based payments

The Company records all share-based payments at their fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the granted date. The grant date fair value is recognized in the statement of operations over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

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Notes to financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share-based payments (continued)

Warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to the Company's reserve accounts. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. On expiration of options, the previously recognized amount is left in reserves.

j) Financial instruments

All financial assets and financial liabilities are initially recognized by the Company when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss. Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

(i) *Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses from changes in the fair value of the asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition of the investment.

Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

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Notes to financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

(i) Financial assets (continued)

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss.

Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(ii) Financial liabilities

The Company measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(iii) Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments. The Company did not recognize impairment losses during the years ended December 31, 2022 and 2021.

The Company has no hedging arrangements and does not apply hedge accounting.

The following table shows the classification of the Company's financial instruments:

Financial assets

Cash	FVTPL
Short-term investments	FVTPL
Deposits	Amortized cost

Financial liabilities

Accounts payable and accrued liabilities	Amortized cost
Related party payable and accrued liabilities	Amortized cost

k) Future accounting standards

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

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Notes to financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	Kena British Columbia	Jersey Emerald British Columbia	Mount Anderson Yukon	Other	TOTAL
Acquisition costs	(Note 4(a))	(Note 4(b))	(Note 4(c))		
As at December 31, 2021	\$ -	\$ 270,000	\$ -	\$ 2	\$ 270,002
Incurring during the period	-	34,000	-	-	34,000
As at December 31, 2022	-	304,000	-	2	304,002
Exploration and evaluation expenditures					
As at December 31, 2021	-	2,508,123	-	-	2,508,123
Site activities	-	16,722	-	-	16,722
Geological and geophysical	-	1,715	-	-	1,715
As at December 31, 2022	-	2,526,560	-	-	2,526,560
Balance, December 31, 2022	\$ -	\$ 2,830,560	\$ -	\$ 2	\$ 2,830,562
Acquisition costs					
As at December 31, 2020	\$ 8,051	\$ 197,000	\$ 220,200	\$ 2	\$ 425,253
Incurring during the period	-	73,000	12,560	-	85,560
Write-downs (Note 4(c))	-	-	(232,760)	-	(232,760)
Disposition of property (Note 4(a))	(8,051)	-	-	-	(8,051)
As at December 31, 2021	-	270,000	-	2	270,002
Exploration and evaluation expenditures					
As at December 31, 2020	-	2,402,056	195,545	-	2,597,601
Site activities	-	9,337	-	-	9,337
Geological and geophysical	-	96,730	-	-	96,730
Write-downs (Note 4(c))	-	-	(195,545)	-	(195,545)
As at December 31, 2021	-	2,508,123	-	-	2,508,123
Balance, December 31, 2021	\$ -	\$ 2,778,123	\$ -	\$ 2	\$ 2,778,125

a) Kena and Daylight Gold-Copper Properties, Ymir, British Columbia, Canada

The Kena and Daylight Properties (the "Project") were comprised of the original Kena claims, Daylight claims and additional properties under option located near the community of Ymir in southeastern B.C. In September 2016, the Company entered into an agreement (as amended in June 2019) with Boundary Gold and Copper Mining Ltd. ("BGCM") to option out an 80% interest in the Project owned by Apex. On April 7, 2021, West Mining Corp. ("West") acquired BGCM's option on the Project.

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4. EXPLORATION AND EVALUATION ASSETS (continued)

a) Kena and Daylight Gold-Copper Properties, Ymir, British Columbia, Canada (continued)

On April 7, 2021, the Company entered into an asset purchase agreement (the “Agreement”) with West whereby West acquired the Company’s remaining 20% interest in the Project in exchange for aggregate cash payments of \$300,000, an aggregate of 1,500,000 common shares of West and West granting the Company a 1.0% net smelter returns (“NSR”) royalty on the Project, with West having the right to purchase the NSR for \$500,000 at any time prior to the commencement of commercial production on the Project. The 1,500,000 shares have been valued at \$472,500 based on the closing price on the TSX Venture Exchange of West on May 4, 2021, the closing date of the transaction.

As a result of the transaction, the Company recorded a gain on sale of disposition of the Project of \$761,509, net of legal fees of \$2,940, during the year ended December 31, 2021.

b) Jersey Emerald and Ore Hill Properties, Salmo, British Columbia, Canada

i) *Jersey Emerald Property, Salmo, British Columbia*

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is comprised of the original 28 crown granted mineral claims, four 2-post claims and 80 mineral units acquired by option in 1993 and several additional properties acquired by staking or by option.

The property is subject to various NSR’s associated with the various claims. In particular, the Jersey Emerald property is subject to a 3.0% NSR that can be reduced to 1.5% by making payments of \$500,000 and issuing 50,000 common shares. Annual advance royalty payments of \$50,000 commenced in October 2000. In January 2023, the Company reached an amended agreement with the two optionors of the Jersey Emerald property to reduce the annual advance royalty payments to \$26,000 per year retroactive to 2022 (Note 12). The amendment included the issuance of a total of 500,000 common shares of the Company to the two optionors. This amendment has received TSXV approval. In addition, the Company is required to make annual advance royalty payments of \$3,000 to the optionors per the original agreement.

ii) *Ore Hill Property, Salmo, British Columbia*

The Ore Hill Property was acquired by Margaux Resources Ltd. (“Margaux”) on February 27, 2017 but reverted to the Company as part of an Area of Interest Inclusion when Margaux terminated the option agreement on the Jersey Emerald Property in October 2018. In order to complete the acquisition of the Ore Hill Property, the Company must complete remaining outstanding option payments to the original property vendors comprised of \$55,000 and 100,000 shares over three years as follows:

	Cash payments	Shares
March 29, 2019 (paid and issued)	\$ 15,000	50,000
March 29, 2020 (paid and issued)	10,000	50,000
June 30, 2020 (paid)	10,000	–
March 29, 2021 (paid)	20,000	–
Total	\$ 55,000	100,000

Ore Hill is subject to a 2% NSR royalty which the Company may purchase for \$250,000 at any time. The Company is required to make annual advance royalty payments of \$5,000 to the vendors.

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4. EXPLORATION AND EVALUATION ASSETS (continued)

c) Mount Anderson Property, Whitehorse Mining District, Yukon

In February 2017, the Company entered into an Option Agreement to earn a 100% undivided interest in the Mount Anderson Property, Yukon. The Company and the Optionors amended the agreement on August 29, 2019 pursuant to which the Company can exercise the option by paying an aggregate of \$300,000 to the Optionors, issuing an aggregate of 1,000,000 common shares in the capital of the Company, and incurring an aggregate of \$385,000 of exploration expenditures as a work commitment over a 54 month period ending in September 2021.

By December 31, 2020, the Company had made cash payments of \$140,000, issued 1,000,000 common shares and spent \$135,000 in exploration expenditures.

On March 1, 2021, the Company renegotiated the terms of the Mount Anderson Option Agreement for a cash payment of \$12,000. Under the terms of the amended agreement, the remaining \$160,000 cash payment was to be due by December 15, 2021 and the remaining \$250,000 work commitment was to be incurred by September 25, 2022. On December 15, 2021, the Company elected not to proceed with the \$160,000 payment and as a result, the Company determined that it had no intention to pursue the project, which resulted in an impairment expense of \$428,305 recorded during the year ended December 31, 2021.

5. SHORT-TERM INVESTMENTS

Short-term investments are classified as fair value through profit or loss and measured at fair value with fair value gains and losses recognized in income.

	Number of Shares	Historical Cost	Fair value December 31, 2022	Fair value December 31, 2021
Term deposits – GICs	–	\$ 6,000	\$ 6,000	\$ 6,000
Marketable securities:				
Altair Resources Inc.	33,333	257,500	667	3,000
Boundary Gold and Copper Mining Ltd.	*15,000	176,251	3,000	9,000
West Mining Corp. (Note 4(a))	1,500,000	472,500	67,500	172,500
Total short-term investments		\$ 912,251	\$ 77,167	\$ 190,500

* On April 20, 2023, Boundary Gold and Copper Mining Ltd. consolidated its share capital on a 20 old shares to 1 new share basis. The number of shares held by the Company have been adjusted to reflect the share consolidation.

6. CREDIT CARD DEPOSIT

The amount of \$17,250 as at December 31, 2022 (2021 - \$17,250) represents a three-year guaranteed investment certificate with interest at prime minus 2.20% (2021 - prime minus 2.20%), held by the bank as security for the Company's credit card usage.

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7. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

On March 8, 2022, the Company closed a non-brokered private placement (the "Private Placement") issuing a total of 11,100,000 units (the "Units") at \$0.05 per Unit for total gross proceeds of \$555,000. Each Unit is comprised of one (1) common share (the "Shares") in the capital of the Company and one (1) non-transferable share purchase warrant (the "Warrants").

Consideration received for the private placement units has been allocated between common shares (\$310,349) and share purchase warrants (\$244,651) on the relative fair value method. The fair value of the warrants issued was calculated using the Black-Scholes pricing model with the following assumptions:

Issuance date	March 8, 2022
Share price at date of issue	\$0.075
Expected life	2 years
Risk-free interest rate	1.41%
Dividend yield	Nil
Expected volatility	187%
Estimated fair value per warrant	\$0.06

The Warrants are exercisable into one Share of the Company for a period of 24 months from the date of issue at an exercise price of \$0.10 per Share. The Warrants are subject to an acceleration clause whereby if the volume weighted average closing price of the Shares on the Exchange is \$0.15 or more for 21 consecutive trading days at any time subsequent to the expiry of six months from the date of issuance of the Warrants, then the Company will earn the right by providing notice (the "Acceleration Notice") to the warrant holders, to accelerate the expiry date of the Warrants to that date which is 30 days from the date of the Acceleration Notice.

The Company paid finder's fees of \$4,875 in cash and issued 42,000 finder's warrants (the "Finder's Warrants"). The Finder's Warrants are exercisable under the same terms as the Private Placement Warrants. The fair value of the Finder's Warrants issued was calculated to be \$2,483 using the Black-Scholes pricing model with the same assumptions as the Private Placement Warrants.

There were no share issuances during the year ended December 31, 2021.

(c) Stock options

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan, the Board of Director's has discretion to grant options for up to a maximum of 2,039,017 common shares of the Company. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than five years after the grant date.

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7. SHARE CAPITAL (continued)

(c) Stock options (continued)

On April 19, 2022, the Company granted 2,039,000 options exercisable at \$0.08 per share until April 19, 2027. The fair value of the options was estimated to be \$150,094 as at the date of grant using the Black-Scholes option pricing model, with the following assumptions and resulting fair values:

Issuance date	April 19, 2022
Risk-free interest rate	1.41%
Expected life of the options	5 years
Annualized volatility	211%
Dividend rate	0.00%
Grant date option fair value	\$0.074

A summary of the changes in the Company's stock options for the years ended December 31, 2022 and 2021 is presented below:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2020 and 2021	1,010,000	\$ 0.150
Expired during 2022	(1,010,000)	0.150
Granted during 2022	2,039,000	0.080
Outstanding, December 31, 2022	2,039,000	\$ 0.080

(d) Share purchase warrants

The following share purchase warrants were outstanding as at December 31, 2022:

	Number of warrants	Exercise price	Expiry date
Private placement - September 4, 2020	2,000,000	\$0.15	September 4, 2023
Warrants issued as finders' fee - September 4, 2020	160,000	0.15	September 4, 2023
Private placement - March 8, 2022	11,100,000	0.10	March 8, 2024
Warrants issued as finders' fee - March 8, 2022	42,000	0.10	March 8, 2024
Balance, December 31, 2022	13,302,000	\$0.108	

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7. SHARE CAPITAL (continued)

(d) Share purchase warrants (continued)

A summary of the changes in share purchase warrants for the years ended December 31, 2022 and 2021 is presented below:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2020	9,117,831	\$ 0.145
Expired during 2021	(1,188,600)	0.157
Outstanding, December 31, 2021	7,929,231	0.143
Issued during 2022	11,142,000	0.100
Expired during 2022	(5,769,231)	0.140
Outstanding, December 31, 2022	13,302,000	\$ 0.108

As at December 31, 2022, the weighted average remaining contractual life of the share purchase warrants was 1.10 years (2021 – 0.87 years) and the weighted average exercise price was \$0.108 (2021 - \$0.143).

8. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors and its senior officers as its key management personnel. Private companies controlled by two of its current senior officers are also considered related parties. Compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties as follows:

Key management compensation	Year ended December 31,	
	2022	2021
Directors' fees	\$ 45,000	\$ 18,000
Salaries and management fees	257,700	299,806
	\$ 302,700	\$ 317,806

Balances payable to related parties are included in related party payable and accrued liabilities on the statement of financial position. These amounts are non-interest bearing, unsecured and are due on demand.

Balances payable for:	December 31,	December 31,
	2022	2021
Directors' fees	\$ 13,500	\$ 13,500
Salaries and management fees	275,000	275,000
	\$ 288,500	\$ 288,500

A portion of the unpaid balances are payable to former officers and directors of the Company.

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9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	December 31, 2022	December 31, 2021
Combined statutory tax rate	27%	27%
Income tax recovery at combined statutory rate	\$ (166,000)	\$ (112,000)
Non-deductible expenses	56,000	(206,000)
Change in estimates and other	-	249,000
Change in deferred tax assets not recognized	110,000	69,000
Deferred income tax recovery	\$ -	\$ --

The Company's unrecognized deductible temporary differences and unused tax losses are attributable to the following items:

	December 31, 2022	December 31, 2021
Non-capital losses	\$ 8,548,000	\$ 8,184,000
Capital losses	33,000	33,000
Exploration and evaluation assets	12,582,000	12,582,000
Short-term investments	835,000	722,000
Other deductible temporary differences	316,000	323,000
	\$ 22,314,000	\$ 21,844,000

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

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9. INCOME TAXES (continued)

The Company has Canadian non-capital losses carried forward of approximately \$8,548,000 (2021 - \$8,184,000) that may be available for tax purposes. The losses expire as follows:

Year	\$
2026	626,000
2027	659,000
2028	853,000
2029	988,000
2030	856,000
2031	714,000
2032	557,000
2033	527,000
2034	458,000
2035	452,000
2036	428,000
2037	91,000
2038	163,000
2039	89,000
2040	272,000
2041	452,000
2042	363,000
	<u>\$ 8,548,000</u>

The Company has resource pools of approximately \$15,412,000 (2021 - \$16,133,000) available to offset future taxable income. The tax benefit of these amounts is available to be carried forward indefinitely. The Company also has investment tax credits totalling approximately \$195,000 (2021 - \$195,000), which begin to expire in 2027.

10. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at December 31, 2022, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2021, are shown in the table below:

	December 31, 2022		December 31, 2021	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets	\$	\$	\$	\$
Cash	189,952	189,952	22,372	22,372
Short-term investments	77,167	77,167	190,500	190,500
Credit card deposit	17,250	17,250	17,250	17,250
Reclamation deposits	33,620	33,620	33,620	33,620
Financial liabilities				
Accounts payable and accrued liabilities	82,259	82,259	61,631	61,631
Related party payable	288,500	288,500	288,500	288,500

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10. FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- i) Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 - Applies to assets or liabilities for which there are unobservable market data.

The fair values of the Company's financial instruments measured at December 31, 2022, constitute Level 1 measurements for its cash, short-term investments, credit card deposit and reclamation deposits within the fair value hierarchy.

The Company recognized interest income during the year ended December 31, 2022 totaling \$80 (2021 - \$220). This is primarily interest income from the Company's short-term investments. The balance represents interest income from all sources.

Credit Risk

Substantially all of the Company's cash, credit card deposit and reclamation deposits are held with major financial institutions in Canada, and management believe the exposure to credit risk with such institutions is not significant. Those financial assets that potentially subject the Company to credit risk is primarily its investment in marketable securities of publicly traded companies. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. The Company's maximum exposure to credit risk as at December 31, 2022, is the carrying value of its financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 11, in normal circumstances. All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2022 and all of the related party payable and accrued liabilities are non-interest bearing and are due on demand.

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10. FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable markets conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in markets prices, such that changes in market prices results in a proportionate change in the carrying value of the Company's investments.

The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold, copper, zinc, lead, molybdenum and tungsten, and the outlook for these metals. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

Interest Rate Risk

At December 31, 2022 and 2021, the Company has no significant exposure to interest rate risk through its financial instruments.

Currency Risk

Fluctuations in United States dollars would not significantly impact the operations and the values of its assets and shareholders' equity at this time. If the Company were to go into production, the Company would be subject to more foreign currency risk from fluctuations in the Canadian dollar relative to the United States dollar, due to metals prices and their denomination in United States dollars.

11. MANAGEMENT OF CAPITAL

The Company considers its capital structure to consist of shareholders' equity. The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in British Columbia and to maintain a flexible capital structure which will optimize the costs of capital.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

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11. MANAGEMENT OF CAPITAL (continued)

At December 31, 2022, the Company had a working capital deficiency of \$72,775 (2021 - \$105,296) and must rely on equity financings, or forms of joint venture or other types of financing to fund operations and to continue exploration and evaluation work and to meet its administrative overhead costs in future years (Note 2(b)). The Company raised gross proceeds of \$555,000 through a non-brokered private placement completed on March 8, 2022 (Note 7(b)) but will require additional funding to significantly advance its projects. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk. There have been no changes in the Company's approach to management of capital during the year and there are no externally imposed restrictions on the Company.

The Company's investment policy is to invest its cash in highly liquid, short-term interest-bearing investments with maturities allowing the Company to withdraw funds at intervals needed for the expected timing of expenditures in its operations.

12. SUBSEQUENT EVENT

In January 2023, the Company reached an amended agreement with the two optionors in connection to the advance royalty payments on the Jersey Emerald Property in southeastern British Columbia (Note 4(b)(i)). Under the terms of the amended agreement, the Company issued 500,000 common shares and will make annual advance royalty payments of \$26,000 to the optionors commencing in 2022. The amended agreement has received TSXV approval.